

March 23, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the March 23, 2007 meeting were distributed to Commission members, intervenors and other interested parties February 23, 2007 and sent to the Secretary of State's Office for posting on February 23, 2007.

Commission Present: Chair, Michael Wiers, John Joseph Jr., Katherine O. Musgrave, Colon Durrell and Shelley Doak, *ex-officio*.

Commission Absent: None

Department Officials: None

Staff Present: Stan Millay, Executive Director, Carol Gauthier, Office Associate and Audrey Shorty, Resource Administrator.

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., John Economy, Garelick Farms of Maine and Thomas Brigham, Oakhurst Dairy.

Others Present: Dale Cole, dairy farmer and President, MDIA, Fred Hardy, MDIA and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were, dairy farmers Chuck Farrand, Galen Larrabee, Harold Larrabee and John and Belinda Stoughton. Also present were Dr. George Criner and Lisa Bragg from the University of Maine and Kelley Carter from Oakhurst Dairy.

Meeting called to order at 1:40 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: Katherine Musgrave made a motion to accept the minutes of the February 23, 2007 meeting. Shelley Doak seconded. Motion passed 3-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: There is a prevailing premium of \$1.10/cwt on Class I for April 2007 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.75/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect on April milk. Federal Order One Class I price for April is \$18.25.

There is a Farm Bill Counter Cyclical Payment (MILC) for April 2007 of \$0.00/cwt. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Stan Millay explained that the price schedule for April was prepared using the information above plus a producer cost of production adjustment of \$1.55/cwt.

Shelley Doak made a motion to consider schedule #04-07 with a producer cost of production adjustment of \$1.55/cwt. It includes an \$18.25/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.12/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$21.97/cwt. Colon Durrell seconded for discussion purposes.

Chairman Wiers asked the processors to comment on their position on the \$1.55/cwt. cost of production adjustment. He stated that he had reservations about how high it had become and welcomed their testimony on it.

Tom Brigham responded saying that the current number was a concern for him. He told the Commission that he was afraid his company and other Maine processors would lose market share outside of Maine if this adjustment continued at the present rate. He reminded the Commission that he had supported \$1.16/cwt., about 10 cents per gallon, in the past but had consistently opposed anything higher.

John Economy reminded the Commission that he has for many months stated that there is an upper limit that will change how milk is moved inside of Maine. He stated that he did not know the exact number, but he has some of his customers asking for pricing scenarios. He said that once these customers make decisions and sign contracts, it will be too late to change back.

Colon Durrell commented on the high retail prices in the supermarkets. He wondered if retailers were so insensitive to consumers in Maine that they would make changes that would bring milk in from outside of Maine.

Tom Brigham pointed out that private label, unbranded milk, is still a large portion of Maine sales. Maine customers do not know where that milk comes from. Once customers leave a branded product like Oakhurst, Hood or Garelick because of price, they are not likely to switch back.

Dale Cole told the Commission that this was not a good time to lower the cost of production adjustment, especially based on rumors of what might happen.

John Economy stated that his previous comments were facts not rumors.

Fred Hardy stated that he believed that people would buy branded label. He pointed to the high price of organic milk as an example.

Katherine Musgrave stated that speakers in some of the meetings she had recently attended said that buyers were moving toward organic and local. She thought that the Commission should continue as in the past and not worry about outside of Maine milk.

Chairman Wiers told the Commission that if they moved milk prices high enough in Maine, it might force large milk handlers to move milk around to take advantage; for example, he said that Massachusetts processors could take Maine milk and send it back into Maine and avoid the cost of production adjustment.

Tom Brigham pointed out that the \$1.55/cwt. cost of production adjustment only applied to milk produced, processed and sold in Maine.

Harold Larrabee questioned at what point the cost of transportation came into play. He said that milk would move only if it was cost effective.

Dale Cole pointed out that the cooperatives would have to be involved and that the Maine quality seal would be in question.

John Economy explained that the Maine processors would not be the ones making the changes, economics would make it happen.

Tom Brigham suggested moving the \$1.55/cwt. back to \$1.35/cwt. where it was moved from when the Class I price dropped \$0.20/cwt. a few months back.

John Blake stated that he favored sustainable wages for producers. He pointed out that milk was already coming into the state, high temperature processed product and organic product. More will come with a high cost of production adjustment. He said that Hood has customers exploring options.

Chuck Farrand reminded the Commission that they had raised the adjustment from \$0.15/cwt. to \$1.55/cwt. and nothing had happened yet.

Chairman Wiers told the Commission that they needed to be mindful of processors as well as producers and try to find a just and fair pricing arrangement.

Colon Durrell said that the Commission's mission was to keep a wholesome, safe and local supply of milk for Maine consumers. He said that the Commission would soon be asked to increase the processing margin and the impact on consumers needed to be considered.

Fred Hardy pointed out that the high prices of milk in the supermarkets where gallons were sold for more than a \$1.50 per gallon over the Commission's minimum prices did not seem to bother consumers.

Katherine Musgrave made a motion to adopt the pricing schedule as prepared. John Joseph seconded.

Colon Durrell citing the fact that the cost of production adjustment moved from \$1.35/cwt. to \$1.55/cwt. because the Class I price dropped by \$0.20/cwt., offered an amendment that would change the price schedule by lowering the cost of production adjustment to \$1.35/cwt. Shelley Doak seconded the motion.

Julie-Marie Bickford acknowledged the good work of the Commission and said she applauded their good work. She said however, producers are feeling the pinch of increasing costs. She said what should have been returned to producers because of not using rBST is not coming in. She reminded the Commission that what the producers do receive from the rBST premium is diluted by the dairy support program. She asked that the Commission proceed slowly with decreases in the cost of production adjustment, recognizing the impact on producers.

Vote on amendment 3-2 in the affirmative.

Vote on the amended motion 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for March 2007 which included prices for Augusta and Bangor and IAMCA milk price survey was not available.

Agenda Item 5: Next Scheduled Meetings:

- April 23, 2007, Monday 10:00 a.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- May 18, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- June 22, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed income and expenditures.
2. **Dealer Margins:** Dr. Criner reported that the University of Maine had collected data from Maine's processors and met with the processors. He provided preliminary data and suggested that the Commission act on it as soon as practical. Commission asked staff to proceed with rulemaking in order to hold a public hearing at the April 23, 2007 meeting.
3. **Retail Margins:** Dr. Criner reported that the Retail Margin study will be starting soon.
4. **IAMCA Meeting in August:** Stan Millay reported that plans are coming along for this meeting that the Commission is hosting in Portland, Maine on August 5-8, 2007. Commission decided to meet at 9:00 a.m. on April 23 to discuss this meeting.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 3:05 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.